

ABBE CENTER FOR COMMUNITY MENTAL HEALTH, INC.

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2015

ABBE CENTER FOR COMMUNITY MENTAL HEALTH, INC.
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ABBE CENTER FOR COMMUNITY MENTAL HEALTH, INC.

BOARD OF DIRECTORS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Mike Bringolf	Chairperson	Dec. 2016
Marlene Hill	Vice-Chair	Dec. 2017
Trish Ellison	Secretary/Treasurer	Dec. 2015
Mary Bess Chester	Member	Dec. 2016
Linda Kirsch	Member	Dec. 2016
Larry Maiers	Member	Dec. 2016
Ned Rohwedder	Member	Dec. 2016
Rhoda Shephard	Member	Dec. 2016
Ron Buch	Member	Dec. 2017
Don Frese	Member	Dec. 2015

INDEPENDENT AUDITORS' REPORT

Board of Directors
Abbe Center for Community Mental Health, Inc.
Cedar Rapids, Iowa

Report on the Financial Statements

We have audited the accompanying financial statements of Abbe Center for Community Mental Health, Inc. (the Center), which comprise the statement of financial position as of June 30, 2015, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Center's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Center's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Abbe Center for Community Mental Health, Inc. as of June 30, 2015, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 13, 2015, on our consideration of Abbe Center for Community Mental Health, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Abbe Center for Community Mental Health, Inc.'s internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

CliftonLarsonAllen LLP

Cedar Rapids, Iowa
November 13, 2015

FINANCIAL STATEMENTS

ABBE CENTER FOR COMMUNITY MENTAL HEALTH, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2015

ASSETS

CURRENT ASSETS

Cash and Cash Equivalents	\$ 1,777,748
Certificates of Deposit	751,484
Receivables:	
Accounts Receivable, Less Allowance for Doubtful	
Accounts of \$13,100	1,238,318
Contributions Receivable, United Way	200,000
Due from Affiliates	2,086,767
Prepaid Expenses	172,137
Total Current Assets	<u>6,226,454</u>

LONG-TERM ASSETS

Investments	2,110
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PROPERTY AND EQUIPMENT

Land	136,370
Buildings and Improvements	276,810
Leasehold Improvements	19,364
Furniture and Equipment	1,009,525
Vehicles	58,497
Total	<u>1,500,566</u>
Less: Accumulated Depreciation	<u>(872,057)</u>
Net Property and Equipment	<u>628,509</u>
Total Assets	<u><u>\$ 6,857,073</u></u>

See accompanying Notes to Financial Statements.

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts Payable	\$ 237,456
Accrued Expenses:	
Accrued Vacations	421,368
Other Accrued Expenses	253,249
Deferred Income	63,961
Due to Linn County	<u>102,842</u>
Total Current Liabilities	<u>1,078,876</u>

NET ASSETS

Unrestricted	5,578,197
Temporarily Restricted	<u>200,000</u>
Total Net Assets	<u>5,778,197</u>

Total Liabilities and Net Assets	<u><u>\$ 6,857,073</u></u>
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ABBE CENTER FOR COMMUNITY MENTAL HEALTH, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
PUBLIC SUPPORT AND REVENUE				
Client and Resident Fees	\$ 10,423,142	\$ -	\$ -	\$ 10,423,142
Grants	495,240	200,000	-	695,240
Net Investment Income	5,766	-	-	5,766
Contributions	4,817	-	-	4,817
Other	205,100	-	-	205,100
Gain (Loss) on Disposal of Fixed Assets	4,500	-	-	4,500
Equity in Net Loss of Investee	(820)	-	-	(820)
Net Assets Released from Restrictions	200,000	(200,000)	-	-
Total Public Support and Revenue	11,337,745	-	-	11,337,745
EXPENSES				
Program Services:				
Mental Health Services	9,450,738	-	-	9,450,738
Supporting Activities:				
Management and General	526,265	-	-	526,265
Total Expenses	9,977,003	-	-	9,977,003
EXCESS (DEFICIT) OF REVENUE OVER EXPENSE	1,360,742	-	-	1,360,742
Gain on Acquisition	2,302,721	-	-	2,302,721
CHANGES IN NET ASSETS	3,663,463	-	-	3,663,463
Net Assets, Beginning of Year	1,914,734	200,000	-	2,114,734
NET ASSETS, END OF YEAR	\$ 5,578,197	\$ 200,000	\$ -	\$ 5,778,197

See accompanying Notes to Financial Statements.

ABBE CENTER FOR COMMUNITY MENTAL HEALTH, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2015

	Program Services	Supporting Activities	
	Mental Health Services	Management and General	Total
Personnel:			
Wages and Salaries	\$ 6,064,662	\$ -	\$ 6,064,662
Employee Benefits	935,225	-	935,225
Payroll Taxes	411,175	-	411,175
	<u>7,411,062</u>	<u>-</u>	<u>7,411,062</u>
Administrative Fees	-	517,279	517,279
Consulting Fees	673,911	-	673,911
Staff Development	21,313	-	21,313
Computer Services	110,620	-	110,620
Telephone Services	112,834	-	112,834
Professional Fees	24,138	-	24,138
Insurance	91,274	-	91,274
Advertising	23,906	-	23,906
Dues and Subscriptions	7,521	-	7,521
Other	67,176	-	67,176
Occupancy	482,595	-	482,595
Supplies	76,868	-	76,868
Travel	184,381	-	184,381
Repairs	42,839	-	42,839
Provision for Doubtful Accounts	-	8,986	8,986
Depreciation and Amortization	120,300	-	120,300
	<u>2,039,676</u>	<u>526,265</u>	<u>2,565,941</u>
Total Expenses	<u>\$ 9,450,738</u>	<u>\$ 526,265</u>	<u>\$ 9,977,003</u>

See accompanying Notes to Financial Statements.

ABBE CENTER FOR COMMUNITY MENTAL HEALTH, INC.
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2015

CASH FLOWS FROM OPERATING ACTIVITIES

Change in Net Assets	\$ 3,663,463
Adjustments to Reconcile Change in Net Assets to Net Cash	
Provided by Operating Activities:	
Equity in Net Loss of Investee	255
Interest and Dividends Reinvested	(1,484)
Provision for Bad Debts	8,986
Depreciation and Amortization	120,300
Contributed Assets from Acquisition	(160,128)
Due from Affiliate	(179,043)
Effects of Changes in Operating Assets and Liabilities:	
Receivables	(157,324)
Prepaid Expenses	(89,787)
Accounts Payable, Accrued Expenses and	
Due to Government Agencies	108,378
Deferred Income	(253,738)
Net Cash Provided by Operating Activities	<u>3,059,878</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Purchases of Property and Equipment	(114,786)
Proceeds from Sales of Property and Equipment	(437,184)
Purchases of Investments and Certificates of Deposits	(750,000)
Net Cash Used by Investing Activities	<u>(1,301,970)</u>

NET INCREASE IN CASH AND CASH EQUIVALENTS

1,757,908

Cash and Cash Equivalents - Beginning of Year

19,840

CASH AND CASH EQUIVALENTS - END OF YEAR

\$ 1,777,748

See accompanying Notes to Financial Statements.

ABBE CENTER FOR COMMUNITY MENTAL HEALTH, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Abbe Center for Community Mental Health, Inc. (the Center) was formed by corporate charter in 1949 and was incorporated on January 23, 1975 in the state of Iowa for the provision of mental health care and the promotion of preventative mental health services. The Center provides outpatient psychiatric services, psychotherapy and supportive treatment services for persons with mental health problems and psychiatric illnesses with the purpose of assisting those persons to prevent hospitalization and remain independently functioning in the community. These services are provided to residents of Linn, Jones, Benton, Delaware, Buchanan, and Fayette counties and surrounding communities through service receipts from these counties and surrounding communities as well as charges to patients and state and federal programs. The Community Mental Health Center for Mideastern Iowa merged with Abbe Center at June 30, 2015. This entity was an accredited community mental health center also and will continue to provide services to individuals in Johnson, Cedar and Iowa counties. The Center's fiscal year ends on June 30. Significant accounting policies followed by the Center are presented below.

Use of Estimates in Preparing Financial Statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses, gains, losses and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Cash Equivalents

The Center considers all liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Certificates of Deposit

Certificates of deposit consist of non-brokered certificates with original maturities of more than three months.

Accounts Receivable

Accounts receivable are uncollateralized customer obligations which generally require payment within 30 days from the invoice date. Accounts receivable are stated at the invoice amount. Account balances with invoices over 90 days old are considered delinquent. Payments of accounts receivable are applied to the specific invoices identified on the customers remittance advice or, if unspecified, to the earliest unpaid invoices. The carrying amount of accounts receivable is reduced by a valuation allowance that reflects management's best estimate of amounts that will not be collected. Management reviews individual accounts receivable balances that exceed 90 days from the invoice date and based on an assessment of current creditworthiness, estimates the portion, if any, of the balance that will not be collected. All accounts or portions thereof deemed to be uncollectible or to require an excessive collection cost are written off to the allowance for doubtful accounts. In addition, a general valuation allowance is established based principally on historical experience.

ABBE CENTER FOR COMMUNITY MENTAL HEALTH, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Due from Affiliates

Due from affiliates consists of cash held in a money market account by an affiliate.

Investments

The Center holds a noncontrolling interest in a limited liability partnership. The partnership is accounted for using the equity method wherein the Center's investment is increased or decreased by the Center's share of earnings or losses, less distributions.

Property and Equipment

Purchased property and equipment are recorded at cost while contributed leasehold improvements and equipment are recorded at estimated fair value at the date of gift. If donors stipulate how long the assets must be used, the contributions are recorded as restricted support. In the absence of such stipulations, contributions of leasehold improvements and equipment are recorded as unrestricted support. Depreciation is computed primarily by the straight-line method over the estimated useful lives of the assets, which range from 5 to 39 years. The depreciation expense on assets acquired under capital leases is included with depreciation expense on owned assets. Items with a cost over \$1,000 and an expected useful life of more than one year are capitalized, as well as computer equipment even if less than \$1,000.

Impairment of Long-Lived Assets

The Center reviews long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of carrying amount or the fair value less costs to sell.

Net Assets

Net assets are classified based on the existence or absence of donor-imposed restrictions. The following is a description of each class:

Unrestricted net assets includes all net assets which are neither temporarily or permanently restricted.

Temporarily restricted net assets includes contributed net assets for which donor-imposed time and purpose restrictions have not been met and the ultimate purpose of the contribution is not permanently restricted.

Permanently restricted net assets includes contributions and other inflows of assets whose use by the Center is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Center. The Center has no permanently restricted net assets as of June 30, 2015.

ABBE CENTER FOR COMMUNITY MENTAL HEALTH, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Support and Revenue

Client and resident fee revenue is recognized, at estimated collectable amounts, in the period the services are performed, net of third-party contractual adjustments and foregone charges for services and supplies furnished to clients who cannot pay. Fees received in advance of services performed are recorded as deferred income.

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor or by law. Amounts received which are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support. However, if a restriction is fulfilled in the same time period in which the contribution is received, the Center reports the support as unrestricted. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Unconditional promises to give are recorded as receivables and as support when received. Conditional contributions are not recorded until all conditions have been satisfied, at which time they are recognized as support. Advances received on conditional contributions are recorded as refundable advances until all conditions have been satisfied.

Bequests are recorded when the probate court declares the will valid and the amount is determinable.

Contributions of donated goods are recorded at their fair values in the period received. Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received.

Third-Party Reimbursement Agreements

Medicare

The Organization participates in the Medicare program. This federal program is administered by the Centers for Medicare and Medicaid Services (CMS).

Medicaid

The Organization also participates in the Medical Assistance Program the Title XIX of the Social Security Act. Reimbursement is based on a predetermined rate formula under a contractual arrangement. Rate adjustments under this program are reflected in income when determinable.

Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting activities benefited.

ABBE CENTER FOR COMMUNITY MENTAL HEALTH, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Excess of Revenue over Expense

The consolidated statements of operations include excess of revenue over expense. Changes in unrestricted net assets that are excluded from excess of revenue over expense, consistent with industry practice, includes net assets released from restrictions for capital items.

Advertising

The Center expenses advertising costs as incurred.

Income Taxes

The Center is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and a similar section of the Iowa income tax law, which provides income tax exemption for corporations organized and operated exclusively for religious, charitable, or educational purposes. The Center is not classified as a private foundation.

The Center files information returns in the U.S. federal jurisdiction. The Center follows the accounting standards to evaluate uncertain tax positions and has determined that it was not required to record a liability related to uncertain tax positions.

NOTE 2 NATURE AND AMOUNT OF TEMPORARY RESTRICTIONS

Temporarily restricted net assets are available for the following purpose:

Subsequent Year's Operations	<u>\$ 200,000</u>
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NOTE 3 DISCLOSURES ABOUT CERTAIN CONCENTRATIONS

The Center has certain concentrations of support and revenue. For the year ended June 30, 2015, the source and amount of the funds and the approximate percentage of total support and revenue from these sources are as follows:

<u>Source</u>	<u>Amount</u>	<u>Percentage</u>
Medicaid	\$ 8,685,009	77%
CMHCMEI	\$ 2,302,721	20%

ABBE CENTER FOR COMMUNITY MENTAL HEALTH, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 4 RECEIVABLES

Receivables consist of patient receivables reported as current assets by the Organization at June 30, 2015 consisted of the following:

	2015
Self Pay & Insurance	\$ 420,454
Medicare	86,638
Magellan	735,952
Medicaid	8,374
Total Receivables	\$ 1,251,418
Less: Allowance for Doubtful Accounts	(13,100)
Receivables, Net	<u>\$ 1,238,318</u>

NOTE 5 OBLIGATIONS UNDER OPERATING LEASES

The Center leases office space under leases expiring in July 2015 through March 2017. These leases require monthly payments totaling \$6,917. The Center leases other facilities on a month-to-month basis.

The Center is leasing various equipment under operating leases expiring between June 2016 and July 2018. The leases require monthly payments totaling \$38,667.

Lease expense for the year ended June 30, 2015 was \$429,317.

Future minimum lease payments for operating leases that have initial noncancelable lease terms in excess of one year are as follows:

<u>Year</u>	<u>Amount</u>
2016	\$ 322,620
2017	134,959
2018	58,571
2019	53,570
Total	<u>\$ 569,720</u>

NOTE 6 RETIREMENT PLANS

The Center has a defined contribution retirement plan covering substantially all employees. Contributions to the plan were 4% of each covered employee's compensation and totaled \$190,479 for the year ended June 30, 2015. These contributions consist of a 1% employer discretionary contribution and a 3% safe harbor contribution of each covered employee's compensation, with the medical doctor class limited to \$70,000 of maximum eligible compensation.

ABBE CENTER FOR COMMUNITY MENTAL HEALTH, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 7 SELF-INSURED DENTAL PLAN INFORMATION

Dental claims of participants and dependents are processed by Employee Benefit Systems. The plan is responsible for paying dental benefits up to a pre-established maximum amount for any one participant or dependent. Claims in excess of this maximum are covered by a policy with an insurance company.

Plan obligations at June 30, 2015 for dental claims incurred by active participants but not reported at that date are calculated based on claims submitted subsequent to year-end and an estimate based on plan history for unremitted claims. There were no accrued plan obligations at June 30, 2015. Management believes this is appropriate based on information currently known. However, claim payments based on actual claims ultimately filed could differ materially from this estimate.

NOTE 8 COMMITMENTS AND CONTINGENCIES

Risk Management

The Center is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. The Center assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims for these risks have not exceeded commercial insurance coverage for the past three years.

Healthcare Legislation and Regulation

The health care industry is subject to numerous laws and regulations of federal, state and local governments. Compliance with such laws and regulations can be subject to future government review and interpretations, as well as regulatory actions unknown or unasserted at this time. These laws and regulations include, but are not limited to, accreditation, licensure, and government health care program participation requirements, reimbursement for patient services, and Medicare and Medicaid fraud and abuse. Recently, government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by health care providers. Violations of these laws and regulations could result in exclusion from government health care program participation, together with the imposition of significant fines and penalties, as well as significant repayment for past reimbursement for patient services received. While the Center may become subject to similar regulatory review, management believes that the outcome of such regulatory review will not have a material adverse effect on the Center's financial statements.

Management believes that the Center is in substantial compliance with fraud and abuse as well as other applicable government laws and regulations. While no regulatory inquiries have been made, compliance with such laws and regulations is subject to government review and interpretations, as well as regulator actions unknown or unasserted at this time.

ABBE CENTER FOR COMMUNITY MENTAL HEALTH, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 9 RELATED PARTY INFORMATION

The Center is a subsidiary of Abbe, Inc., which is the Center's sole voting member. The Center paid administrative fees of \$517,279 to Abbe, Inc. for the year ended June 30, 2015. The two organizations have separate boards of directors but have some common directors.

NOTE 10 ACQUISITION OF COMMUNITY MENTAL HEALTH CENTER FOR MID-EASTERN IOWA

As of June 30, 2015, the Center acquired with the Community Mental Health Center for Mid-Eastern Iowa (CMHCMEI). The Center has recognized the excess of the consideration transferred over the net assets acquired as a separate item in its 2015 consolidated statement of activities. The net identifiable assets of CMHCMEI consisted of cash, property and equipment, and accounts receivable.

Cash and Cash Equivalents	\$ 1,713,343
Receivables	291,034
Prepaid Expenses	22,250
Property and Equipment, Net	437,184
Accounts Payable	(50,754)
Accrued Expenses	(110,336)
Total Identifiable Net Assets Contributed	<u>\$ 2,302,721</u>

NOTE 11 SUBSEQUENT EVENTS

Management evaluated subsequent events through November 13, 2015, the date the financial statements were available to be issued. Events or transactions occurring after June 30, 2015, but prior to November 13, 2015, that provided additional evidence about conditions that existed at June 30, 2015, have been recognized in the financial statements for the year ended June 30, 2015. Events or transactions that provided evidence about conditions that did not exist at June 30, 2015, but arose before the financial statements were available to be issued, have not been recognized in the financial statements for the year ended June 30, 2015.

SUPPLEMENTARY INFORMATION

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Directors
Abbe Center for Community Mental Health, Inc.
Cedar Rapids, Iowa

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Abbe Center for Community Mental Health, Inc. (the Center), which comprise the statement of financial position as of June 30, 2015, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 13, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Abbe Center for Community Mental Health, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Center's internal control. Accordingly, we do not express an opinion on the effectiveness of the Center's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Center's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Center's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the Center's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Center's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "CliftonLarsonAllen LLP". The signature is written in a cursive, flowing style.

CliftonLarsonAllen LLP

Cedar Rapids, Iowa
November 13, 2015

**ABBE CENTER FOR COMMUNITY MENTAL HEALTH, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2015**

SECTION I – Summary of Auditors' Results

Financial Statements

- | | |
|---|--------------------------------------|
| 1. Type of auditor's report issued: | Unmodified |
| 2. Internal Control over financial reporting: | |
| • Material weakness(es) identified? | _____ yes <u> X </u> no |
| • Significant deficiency(ies) identified
that are not considered to be
material weakness(es)? | _____ yes <u> X </u> none reported |
| 3. Noncompliance material to financial
statements noted? | _____ yes <u> X </u> no |

SECTION II – Financial Statement Findings

Our audit did not disclose any matters required to be reported.

SECTION III – Compliance Findings

Our audit did not disclose any matters required to be reported.